

## KUMPULAN JETSON BERHAD

### NOTES TO THE INTERIM FINANCIAL REPORT

#### A1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of freehold land included within property, plant and equipment.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Group since the year ended 31 December 2007.

#### A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning on or after 1 January 2008 as follows::

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 121 Amendment	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities

A2. Changes in Accounting Policies (Cont'd)

IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 2004 – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

Deferred FRS 139 – Financial Instruments : Recognition and Measurement. The effective date of this standard has yet to be determined by the Malaysian Accounting Standard Board (“MASB”).

A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

#### A4. Segment Information

Period ended 30 June 2008

Business Segments	Continuing Operations					Discontinued Operation				Consolidated
	Construction and Property	Hostel Management	Manufacturing	Investment holding	Elimination	Total	Environmental services	Elimination	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customer	6,857	2,667	44,838	-	-	54,362	1,206	-	1,206	55,568
Inter-segment revenue	22	-	-	-	(22)	-	40	(40)	-	-
<b>Total revenue</b>	<b>6,879</b>	<b>2,667</b>	<b>44,838</b>	<b>-</b>	<b>(22)</b>	<b>54,362</b>	<b>1,246</b>	<b>(40)</b>	<b>1,206</b>	<b>55,568</b>
Operating profit / (loss)	(1,251)	1,067	2,224	(914)	-	1,126	(93)	-	(93)	1,033
Gain on disposal of subsidiaries						-			12,660	12,660
Financing expenses						(2,073)			(5)	(2,078)
Financing income						193			-	193
Share of associate result						-			2,523	2,523
<b>(Loss) / Profit before tax</b>						<b>(754)</b>			<b>15,085</b>	<b>14,331</b>
Taxation						(9)			-	(9)
<b>(Loss) / Profit after tax</b>						<b>(763)</b>			<b>15,085</b>	<b>14,322</b>

#### A5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2008.

A6. Changes in Estimates

There were no changes in estimates that have had a material effect in the current quarter's results.

A7. Comments about Seasonal or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors for the financial period under review.

A8. Dividends Paid

No dividend has been paid out during the quarter under review.

A9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2007.

A10. Debt and Equity Securities

During the quarter, there was no movement in the issued and paid up capital of the Company.

A11. Changes in Composition of the Group

The Disposal of Environmental Services Division was completed in the quarter under review. With the completion of Disposal, Jetson Corporation Sdn Bhd and its subsidiaries namely, Hebat Abadi Sdn Bhd and Segar Prima Sdn Bhd ceased to be subsidiaries of the Company.

A12. Capital Commitments

The amount of commitments for the property, plant and equipment not provided for in the interim financial statements as at 30 June 2008 is as follows:

	RM'000
Approved and contracted for	122

A13. Changes in Contingent Liabilities and Contingent Assets

Contingent liabilities of the Company refer to bank guarantees and corporate guarantees extended in support of banking and credit facilities utilised by its subsidiaries. Contingent liabilities decreased from RM61.75 million as at 31 December 2007 to RM56.43 million as at 30 June 2008.

#### A14. Subsequent Events

There were no other material events subsequent to the end of the interim period up to 26 August 2008 that have not been reflected in the financial statements for this quarter except for the followings:-

- (a) On 15<sup>th</sup> July 2008, Jetson Construction Sdn Bhd (“JCSB”), a wholly owned subsidiary of the Company, acquired 50% of the total issued and paid up share capital of Jetson Construction (Indonesia) Sdn Bhd (“JCI”), a private limited company incorporated in Malaysia with an authorised share capital of RM100,000, comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each had been fully issued and paid up, for a total cash consideration of RM1.00.

On 23<sup>rd</sup> July 2008, JCSB acquired the remaining balance of 50% of the total issued and paid up share capital of JCI, for a total cash consideration of RM1.00. JCI is now a wholly owned subsidiary of JCSB;

- (b) On 29<sup>th</sup> July 2008, JCSB acquired the entire issued and paid up share capital of Jetson (Labuan) Ltd, a private limited company incorporated in Labuan with an authorised share capital of USD12,000, comprising 12,000 ordinary shares of USD1.00 each, of which 1 ordinary share of USD1.00 each had been fully issued and paid up, for a total cash consideration of USD1.00; and
- (c) On 4<sup>th</sup> August 2008, JCSB incorporated a wholly owned subsidiary company, known as Jetson (Singapore) Pte Ltd, in Singapore with paid up share capital of SGD1.00 divided into 1 ordinary share of SGD1.00.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review

Despite the lower revenue in the current quarter under review compared to the previous year corresponding quarter, the profit after tax and minority interest of the Group increased substantially from RM381,000 to RM13,173,000. Such increase was contributed by the net gain on disposal of Environmental Services Division of RM12.766 million.

Excluding the net gain, the Group made an operational gain after tax and minority interest of RM407,000 in the quarter under review, which was mainly due to improvement achieved by Manufacturing Division, of which has made strong inroads into the international markets as well as focusing on process improvements which helped to improve the profit margin.

The Group achieved profit after tax and minority interest for the 6 months ended 30 June 2008, approximately RM1,600,000 (excluding the net gain on disposal of Environmental Services Division of RM12.660 million) compared to loss after tax and minority interest of RM3,010,000 in the previous year corresponding period. Such improvement was mainly attributed to the Manufacturing Division as mentioned above.

B2. Comment on Material Change in Results Against the Preceding Quarter

The Group recorded profit after tax and minority interest of RM13,173,000 for the current quarter compared to RM1,087,000 in the preceding quarter. The improvement was mainly due to the gain on disposal of Environmental Services Division as mentioned above.

B3. Commentary on Prospects

Following the disposal of Environmental Services Division, the Group's direction will be concentrating in Construction, Property Development and Manufacturing industries. Currently, the Group is in active negotiations on new projects. Additionally, the Manufacturing Division has made strong inroads into new international markets and customers for its customized molded polymer and elastomer products for the automotive, industrial, rail and motorcycle applications.

B4. Profit Forecast or Profit Guarantee

Not applicable.

B5. Income Tax Expense

	3 months ended		6 months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations:-</b>				
Current tax:				
Current period's provision	7	(220)	9	(220)

B6. Sale of Unquoted Investments and Properties

There is no sale of unquoted investments and / or properties during the quarter under review.

B7. Quoted Securities

There was no sale of quoted securities during the quarter under review.

B8. Status of Corporate Proposal

(a) Bumiputera Condition for Private Placement

The Company's private placement exercise representing up to 5,689,980 new ordinary shares of RM1.00 each in the Company, or equivalent to 10% of the enlarged issued and paid-up share capital of the Company, assuming full conversion of outstanding irredeemable convertible unsecured loan stocks ("Private Placement"), was approved by the Securities Commission ("SC") on 15 June 2004 subject to compliance with certain conditions.

One of the conditions of the SC's approval on the Private Placement is that the Company should allocate 30% of the placement shares to Bumiputera investors or increase its Bumiputera equity by 3.46% of the enlarged issued and paid-up share capital within two (2) years from the date of the implementation of the Private Placement, i.e. by 19 August 2006 ("Bumiputera Condition"). The SC had on 31 July 2006, approved an extension of time of one (1) year i.e. to 19 August 2007, for the Company to comply with the Bumiputera Condition.

Subsequently, SC vide its letter on 22 August 2007 had approved for a further extension of time of one (1) year i.e. to 19 August 2008, for the Company to comply with the Bumiputera Condition.

The Company had applied for further extension from SC and SC had vide its letter dated 7 August 2008, granted further extension of time of one (1) year i.e. up to 19 August 2009, for the Company to comply with the Bumiputera Condition.

B8. Status of Corporate Proposal (Cont'd)

(b) Proposed Provision of Financial Assistance

On 28 May 2007, Citarasa Haruman Sdn Bhd ("CHSB"), a 40%-owned associated company of the Company had entered into a conditional Sale and Purchase Agreement ("SPA") with LBCN Development Sdn Bhd ("LBCN") for the proposed acquisition by CHSB from LBCN of a piece of vacant leasehold land measuring approximately 78 acres held under HSD 5304, PT 3861, Mukim Ijok, Daerah Kuala Selangor, Selangor for a total cash consideration of RM25,482,600 ("Purchase Consideration").

Pursuant to the SPA, the Company and Jetson Construction Sdn Bhd ("JCSB") have agreed to set off part of the indebtedness, which has been novated by Vega Builders Sdn Bhd ("VBSB") to LBCN, amounting to RM12,000,000 as part payment of the Purchase Consideration.

The Proposed Provision of Financial Assistance involves the settlement of the indebtedness amounting to RM12 million owing by VBSB by way of setting off against part of the Purchase Consideration on behalf of CHSB. The Proposed Provision of Financial Assistance had been approved by the shareholders of the Company at the annual general meeting held on 25 June 2008.

(c) Utilisation of Proceeds from Disposal of Environmental Services Division

The total proceeds raised by the Company from the disposal of the Environmental Services Division were RM30.7 million. The status of utilisation of the proceeds is as follows:

	Approved utilisation RM'000	Utilised as at 20 Aug 2008 RM'000	Balance yet to be utilised RM'000
Repayment of bank borrowings	25,900	21,016	4,884
Working capital of the Group	4,500	2,441	2,059
Expenses relating to the Disposal	300	171	129
	<u>30,700</u>	<u>23,628</u>	<u>7,072</u>

B9. Borrowings

The Group's borrowings at the end of the quarter under review:

- a) are secured by way of negative pledge, legal charge and / or corporate guarantees executed by the Company



B9. Borrowings (Cont'd)

b) are segregated into short and long term as follows :

	RM'000
Short Term	36,463
Long Term	18,508

c) are denominated in RM.

B10. Off Balance Sheet Financial Instruments

There is no financial instrument with off balance sheet risk at the date of this report.

B11. Status of Material Litigation

(a) The Company entered into a construction contract with Kumpulan Sepang Utama Sdn Bhd ("Respondent"). On July 2002, the project was suspended indefinitely and remains incomplete.

On 12 December 2002, the Company joined a winding up petition together with third parties and filed in action against the Respondent, pursuant to the recovery of the outstanding amounts due from the Respondent.

On 22 August 2003, the Company lodged a Debt General Form with Official Assignee and currently the case is under the Official Assignee.

(b) The Company made various claims against Xin Yiap Project Consultants Sdn Bhd (formerly known as Xin Yiap Management Services Sdn Bhd) ("Xin Yiap") by way of arbitration proceedings arising out of a construction contract in respect of superstructure works on 3 Blocks of 5-Storey Apartments for "Cadangan Skim Perumahan Di Atas Lot 2851, Mukim Cheras, Daerah Ulu Langat, Selangor" ("Project"). The Company was the contractor employed by Xin Yiap in that Project and the works were completed and a Certificate of Practical Completion was issued.

B11. Status of Material Litigation (Cont'd)

The works were completed later than the time stipulated in the contract due to events which caused delay and which form part of the disputes in the arbitration. The Company succeeded in obtaining the Arbitrator's Award on 23 March 2004 and Xin Yiap failed in its counterclaim against the Company. The Arbitrator's Award was challenged by Xin Yiap at the High Court and the High Court set aside the Arbitrator's Award. The Company has filed for an appeal at the Court of Appeal against the decision of the High Court. No hearing date has been fixed for the appeal as yet. The solicitors are of the opinion that the Company has a reasonably strong case to appeal.

B12. Dividend Payable

The Board has not proposed any dividend for the current period to date.

B13. Earning / (Loss) Per Share

(a) Basic

The calculation of basic earning/(loss) per share is based on the net earning/(loss) for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period including the effect of mandatory conversion of ICULS which is required by FRS133.

	Current Quarter		Cumulative Quarter	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Loss from continuing operations attributable to ordinary equity holders of the parent (RM'000)	(20)	(627)	(826)	(3,777)
Profit from discontinued operation attributable to ordinary equity holders of the parent (RM'000)	13,193	1,008	15,086	767
Profit / (Loss) attributable to ordinary equity holders of the parent (RM'000)	13,173	381	14,260	(3,010)
Weighted average number of ordinary shares in issue ('000)	52,791	52,641	52,791	52,536
Increase in shares on conversion of ICULS ('000)	6,393	6,455	6,393	6,455
Adjusted weighted average number of ordinary shares in issue ('000)	59,184	59,096	59,184	58,991

B13. Earning / (Loss) Per Share (Cont'd)

(b) Diluted

The Company has 2 categories of dilutive potential ordinary shares:

- (i) ESOS options granted to eligible directors and employees of the Group; and
- (ii) 17,004,000 warrants

There is no dilution in the earnings per share of the Company as the market values of the above securities were lower than the exercise prices. Accordingly, there is no assumed full conversion of the securities to merit for adjusting for an increase in the number of ordinary shares which could result in a dilution of the Company's earnings per share.